

PUBLIC DISCLOSURE

JANUARY 5, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROTHERHOOD CREDIT UNION

66350

**75 MARKET STREET
LYNN, MA 01901**

DIVISION OF BANKS

**1000 WASHINGTON STREET
BOSTON, MA 02118**

NOTE:

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of the entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **BROTHERHOOD CREDIT UNION** (or the "Credit Union") prepared by the Division, the institution's supervisory agency, as of **January 5, 2011**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Brotherhood Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

The Credit Union's average net loan-to-share ratio was considered reasonable for an institution of its size and capacity. A majority of both residential real estate loans and consumer loans sampled were originated within the Credit Union's defined assessment area. An analysis of the Credit Union's lending activity by borrower income revealed that the Credit Union's distribution of real estate secured and consumer loans to borrowers of different income levels is reasonable and is representative of the membership. Based on the geographic distribution of the Credit Union's real estate secured loans, its performance was found to be reasonable. A geographic distribution of the Credit Union's consumer loans was not conducted as such an analysis would not be meaningful. The Credit Union received no complaints pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices. Fair lending policies and practices are considered satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Brotherhood Credit Union is a community credit union established in 1934. The Credit Union's by-laws limit the membership to individuals who work or reside within the Counties of Essex, Suffolk, Middlesex, and Norfolk. The Credit Union currently has 6,385 members. The institution's main office is located at 75 Market Street in Lynn, MA. The Credit Union also operates a branch location at 254 Humphrey Street in Marblehead, MA, which was established in October of 2005. The main office is located in a low-income census tract and the branch location is located in an upper-income census tract.

According to the September 30, 2010 National Credit Union Administration (NCUA) Call Report of Condition, the Credit Union's assets totaled \$107,893,418. Total loans as of this date stood at \$45,793,925, or 42.4 percent, of total assets.

The Credit Union is primarily a residential real estate lender with 69.0 percent of its portfolio comprised of first mortgage loans. The second highest portion of the Credit Union's loan portfolio is other real estate loans/lines of credit. Refer to the following table for further information regarding the composition of the Credit Union's loan portfolio.

Loan Portfolio Distribution as of September 30, 2010		
Loan Type	Dollar Volume	Percentage of Total Loans
First Mortgage Loans	31,588,862	69.0
Other Real Estate Loans/ Lines of Credit	9,544,931	20.9
Used Vehicle Loans	2,253,519	4.9
All Other Unsecured Loans/ Lines of Credit	1,202,518	2.6
New Vehicle Loans	1,025,051	2.2
All Other Unsecured Loans/Lines of Credit	179,044	0.4
Less- Allowance for Loan & Lease Losses	(37,394)	--
Net Loans	45,756,531	100.0

Source: 9/30/09 Consolidated Report of Condition

The Division last examined the Credit Union for compliance with the CRA on August 25, 2005. That examination resulted in a CRA rating of "Satisfactory." Other than its smaller asset size, there are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its members.

Description of Assessment Area

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. An assessment area should consist of whole geographies such as counties, cities, or towns. Further, an assessment area may not reflect illegal discrimination and may not arbitrarily exclude any low- or moderate-income area(s), taking into account the institution's size and financial condition.

Brotherhood Credit Union has identified its assessment area as the cities and towns of Lynn, Peabody, Salem, Marblehead, Nahant, Swampscott and Saugus. The assessment area communities comprise 51 census tracts of which 4 (7.8 percent) are low-income, 16 (31.4 percent) are moderate-income, 24 (47.1 percent) are middle-income and 7 (13.7 percent) are upper-income.

According to 2000 US Census Data, the assessment area has a total population of 242,085 persons, 95,392 households and 61,710 families. According to the data, 22.3 percent of the families in the assessment area are low-income, 18.8 percent are moderate-income, 22.6 percent are middle-income and 36.3 percent are upper-income. Additionally, 10.6 percent of families have incomes below the poverty level.

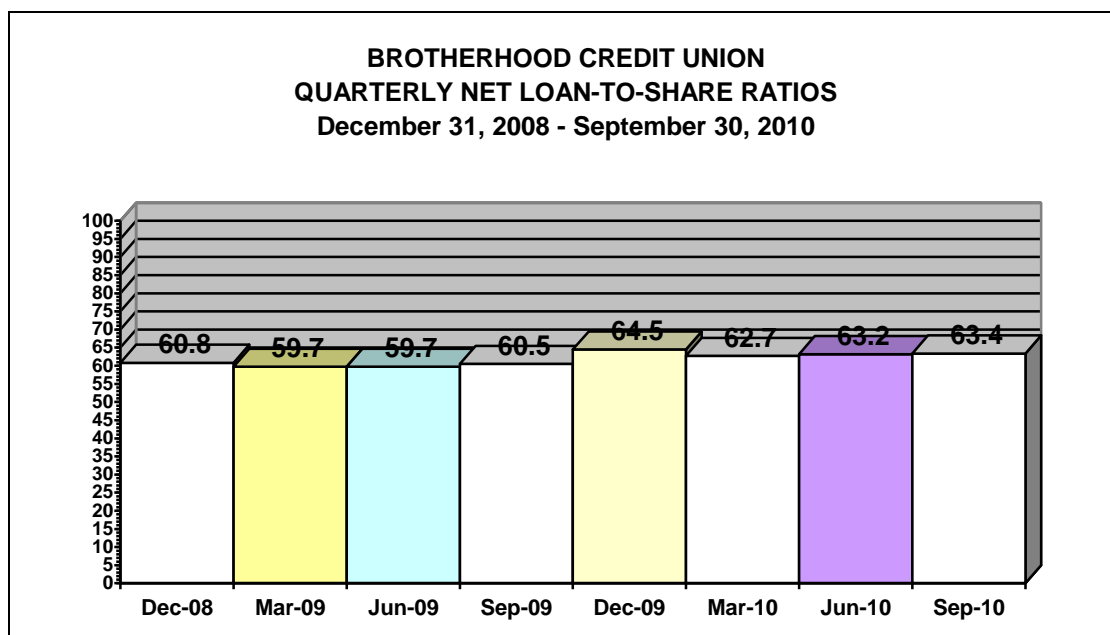
Housing information obtained from by PCI, Inc. *Wiz*, based on 2000 census data for the assessment area, indicated that there are 98,372 housing units, of which 57.9 percent are owner-occupied, 39.1 percent are occupied rental units and 3.0 percent are vacant. Refer to the following table for further information on housing in the assessment area related to income level of the census tract.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner- Occupied	Rental Units	Vacant	
Low	7.8	5.4	5.5	1.6	11.1	7.3	\$111,719
Moderate	31.4	26.5	26.6	15.6	42.4	32.8	\$145,462
Middle	47.1	50.3	50.1	58.6	38.2	41.0	\$189,651
Upper	13.7	17.8	17.8	24.2	8.3	18.9	\$307,813
Total/Median	100.0	100.0	100.0	100.0	100.0	100.0	\$194,663

PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's deposit (share) base is reinvested in the form of loans. The appropriateness of the Credit Union's loan-to-share ratio ("LTS") was evaluated. The analysis was performed using NCUA quarterly call report data for the period ending December 31, 2008 through September 30, 2010. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. The average net LTS for the period reviewed was calculated at 61.8 percent.



As displayed in the table above, the Credit Union's net loan-to-share ratios fluctuated slightly during the period but increased overall. The increase in the Credit Union's LTS ratios reflects a growth in net loans of approximately 2.0 percent, while deposits decreased during the same timeframe by approximately 2.3 percent.

Additionally, the Credit Union's net loan-to-share ratio was compared to three other community credit unions based in Lynn. The following table displays the Credit Union's net LTS; the ratios and asset sizes are based on the credit unions' September 30, 2010 CALL reports. Refer to the following table.

Institution	Net LTS %	Asset Size \$(000s)
Community Credit Union of Lynn	98.9	129,932
Riverworks Credit Union	79.4	89,025
St. Jeans Credit Union	76.4	132,533
Brotherhood Credit Union	63.4	107,893

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Home Mortgage Loans

Data regarding the Credit Union's real estate lending reportable under the Home Mortgage Disclosure Act ("HMDA") for 2009 and 2010 was reviewed to determine the proportion of loans originated within the assessment area by number and dollar amount. Lending data was obtained from the Credit Union's Loan Application Register (LAR) filed under the provisions of HMDA.

For the period reviewed, the Credit Union originated 137 HMDA-reportable loans totaling \$21,073,000. Refer to the following table for additional information regarding the Credit Union's HMDA-reportable lending, by both number and dollar volume as well as by year and loan purpose.

Distribution of HMDA Loans Inside and Outside the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 HMDA										
Purchase	3	50.0	3	50.0	6	564	45.2	685	54.8	1,249
Home Improvement	9	64.3	5	35.7	14	826	57.9	600	42.1	1,426
Refinance	32	69.6	14	30.4	46	5,141	71.6	2,044	28.4	7,185
Subtotal	44	66.7	22	33.3	66	6,531	66.2	3,329	33.8	9,860
2010 HMDA										
Purchase	2	100.0	0	0.0	2	214	100.0	0	0.0	214
Home Improvement	10	55.6	8	44.4	18	1,035	46.8	1,177	53.2	2,212
Refinance	32	62.7	19	37.2	51	4,966	56.5	3,821	43.5	8,787
Subtotal	44	62.0	27	38.0	71	6,215	54.6	4,998	44.6	11,213
Total	88	64.2	49	35.8	137	12,746	60.5	8,327	39.5	21,073

Source: HMDA LAR Data (2009 and 2010)

As displayed in the table above, the Credit Union originated 44 loans or 66.7 percent of loans, by number, within the assessment area in 2009. In 2010, the Credit Union originated an additional 44 loans within the assessment area. However, the level of lending outside the assessment area increased resulting in a decrease in performance. Overall, as the majority of loans (64.2 percent) were originated within the assessment area, the Credit Union meets the standards of satisfactory performance.

Consumer Loans

An additional review of a sample of 50 consumer loans originated in 2009 and 2010 was also conducted during this examination. The sample was comprised of a mixture of new and used automobile loans. Of the 50 loans reviewed, 35 or 70.0 percent of the number of loans originated were within the Credit Union's assessment area and \$504,318 or 68.9 percent of the dollar amount extended was also within the assessment area.

Distribution of a Sample of Consumer Loan Originations Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans		Number of Loans		Dollars in Loans	
	#	%	\$	%	#	%	\$	%
2009	16	64.0	199,616	57.9	9	36.0	145,221	42.1
2010	19	76.0	304,702	78.7	6	24.0	82,320	21.3
Total	35	70.0	504,318	68.9	15	30.0	227,541	31.1

Source: 2009 and 2010 Sample Review

As illustrated in the table above, the majority of the consumer loans by number and dollar amount extended were within the Credit Union's assessment area.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's real estate secured lending activity as well as a sample of consumer loans for calendar years 2009 and 2010 were analyzed in order to determine the distribution of credit based upon the income level of the borrowers.

The borrowers' incomes were compared to the median family incomes, as estimated by the Department of Housing and Urban Development (HUD), for the area in which they were located. The assessment area's city and towns are located within Essex County which is located within the Peabody, MA Metropolitan Division (MD). The income figures are based on 2000 U.S. Census data information. The HUD updates these figures annually; the HUD updated median family income for the assessment area was \$86,300 in 2009 and \$86,900 in 2010.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Residential Real Estate

The Credit Union originated a total of 88 home mortgage loans within the assessment area during the period under the review. The following table breaks out the loans the Credit Union granted to its membership in 2009 and 2010 categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the respective year and MSA.

Distribution of Residential Real Estate Loans by Borrower Income									
Median Family Income Level	% of Total Families	2009 Credit Union Data		2009 Aggregate Data		2010 Credit Union Data		Credit Union Total	
		#	%	#	%	#	%	#	%
Low	22.3	6	13.6	765	5.6	5	11.4	11	12.5
Moderate	18.8	6	13.6	2,813	20.6	8	18.2	14	15.9
Middle	22.6	13	29.6	3,326	24.4	14	31.8	27	30.7
Upper	36.3	19	43.2	4,058	29.8	17	38.6	36	40.9
NA	0	---	---	2,671	19.6	---	---	---	---
Total	100.0	44	100.0	13,633	100.0	44	100.0	88	100.0

Source: HMDA LAR Data (2009 and 2010)

As displayed in the table above, the Credit Union made 6 loans to low-income members in 2009, representing 13.6 percent of loans granted in that year. The Credit Union's percentage was well above that achieved by the 2009 aggregate (5.6 percent). The Credit Union's performance decreased slightly in 2010 whereby 5 loans or 11.4 percent were granted to low-income members. In both years under review, the Credit Union's performance was below demographic indicators. This is reasonable as almost half of low-income families in the assessment area also have incomes below the poverty level. Individuals of such limited income have a reduced ability to secure a mortgage loan. Given the demographics and comparison to the aggregate, the Credit Union shows a strong responsiveness in meeting the credit needs of low-income individuals. Additionally, according to 2009 market share reports, the Credit Union was ranked 19th of 305 lenders in lending to low-income borrowers. Given the competitive environment in which the Credit Union operates and its limited resources, its performance is very good.

In 2009, the percentage of loans the Credit Union made to moderate-income members at 13.6 percent was below that granted by the aggregate at 20.6 percent. The Credit Union's performance improved in 2010 by making 18.2 percent of loans to moderate-income borrowers, which was in line with the percentage of moderate-income families (18.8 percent).

Overall, the Credit Union's distribution of lending to borrowers of different income levels reflects a reasonable dispersion and meets the standards for satisfactory performance.

Consumer Lending

The following table provides a breakdown of a sample of consumer loans originated among the Credit Union's membership by applicant income level. It should be noted that the analysis of consumer loans to low- and moderate-income borrowers may be somewhat skewed. The comparison of consumer loans to low- and moderate-income borrowers to the percentage of low- and moderate-income families may result in higher performance levels due to the fact that, in most cases, only one income is used to make a credit decision.

Distribution of a Sample of Consumer Loan Originations by Income Level of the Borrower						
Borrower Income Level	2009		2010		Total	
	#	%	#	%	#	%
Low	4	25.0	2	10.5	6	17.2
Moderate	4	25.0	5	26.3	9	25.7
Middle	5	31.3	6	31.6	11	31.4
Upper	3	18.7	6	31.6	9	25.7
Total	16	100.0	19	100.0	35	100.0

Source: Consumer Loan Sample for the period 2009 and 2010

Based on the sample, 50.0 percent of consumer loans were made to low- and moderate-income members within the assessment area in 2009. In 2010, the Credit Union's performance in lending to low-income members decreased, whereby 10.5 percent of loans were made to low-income members. The level of lending to moderate-income members increased slightly in 2010.

Overall, based upon the analysis of borrower income, the Credit Union demonstrates a reasonable performance in providing loans to borrowers of different incomes.

GEOGRAPHIC DISTRIBUTION

The Credit Union's residential loans located within the assessment area were further analyzed to determine their location by census tract income level. As mentioned previously in the performance context, the assessment area communities comprise 51 census tracts, of which, 4 (7.8 percent) are low-income, 16 (31.4 percent) are moderate-income, 24 (47.1 percent) are middle-income and 7 (13.7 percent) are upper-income.

Refer to the following table for further information regarding the dispersion of the Credit Union's HMDA reportable loans for 2009 and 2010.

Distribution of HMDA Loans by Census Tract Income Level									
Median Family Income Level	% of Total Owner Occupied Housing Units	2009 Credit Union Data		2009 Aggregate Data		2010 Credit Union Data		Credit Union Total	
		#	%	#	%	#	%	#	%
Low	1.6	1	2.3	207	1.5	0	0.0	1	1.1
Moderate	15.6	11	25.0	1,936	14.2	7	15.9	18	20.5
Middle	58.6	22	50.0	7,723	56.7	24	54.6	46	52.3
Upper	24.2	10	22.7	3,767	27.6	13	29.5	23	26.1
Total	100.0	44	100.0	13,633	100.0	44	100.0	88	100.0

Source: HMDA LAR Data (2009 and 2010)

As displayed in the table above, the Credit Union made one loan in a low-income census track in 2009. The percentage of loans the Credit Union granted in 2009 was above the percentage of owner-occupied housing units in those tracks. The Credit Union's performance also exceeded the aggregate's percentage; however, the Credit Union made no loans in the assessment areas' low-income tracks in 2010.

In 2009, the Credit Union made 11 loans or 25.0 percent, in moderate-income census tracks, exceeding the aggregate's percentage as well as the percentage of owner occupied units in those tracks. The Credit Union's performance decreased in 2010, yet was still in line with demographic indicators.

Overall, the Credit Union's performance is considered reasonable.

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

A review of the Division's records, as well as the Credit Union's Public CRA File, did not reveal any complaints relating to the Credit Union's CRA performance since the prior evaluation.

The Credit Union has a written Fair Lending Policy which addresses the Credit Union's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Credit Union received from minority applicants. For the period reviewed, the Credit Union received a total of 3 HMDA reportable mortgage applications, or 5.1 percent of total applications, from racial minority groups within its assessment area.

The Credit Union's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. According to 2000 Census Data, the assessment area contained a total population of 242,085 individuals, 19.1 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment areas minority population is as follows: 9.6 percent Hispanic, 4.1 percent Black, 3.2 percent Asian, 0.1 percent American Indian/ Alaska Native and 2.1 percent "other race".

The Credit Union's overall performance is considered reasonable, as the Credit Union's percentage in 2009 was in line with the 2009 aggregate 5.4 percent. However, it is noted that the Credit Union received no loans from racial or ethnic minorities within the assessment area in 2010.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 75 Market Street Lynn MA 01901."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.